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UNITED NATIONS DEVELOPMENT PROGRAMME

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ENGLISH

APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
PARAGUAY

IPF:(1987-91) $5 185 000

(PAR/91/002) - Export and Investment Promotion

Date of approval by the AC:[1/]	6 May 1992	
Expected duration:	Three years	
Proposed executing agency:	Government	
Government implementing agency:	PRO-PARAGUAY	
Proposed UNDP contribution:	$ 2 838 400	Source of funds: IPF
Government cost sharing:	$ 100 000	
Total UNDP budget:	$ 2 938 400	

Project background

Paraguay's economy is currently dependent on the export of primary goods, namely, cotton and soybean. Only four percent of all the country's exports are industrial products. This primary goods based economy makes Paraguay very vulnerable to international demand, price fluctuations, and climate conditions. Furthermore, it creates unfavorable terms of trade that make domestic investment into new diversified sectors more difficult. This is coupled with past Government's bias against exports through high taxes, overvalued exchange rates, and bureaucratic red tape.

The current Government, which came to power in 1989, has taken exceptional steps to insert new dynamism into the economy by establishing an economic model that is export oriented. As part of its commitment in redirecting the economy, the Government has taken two important steps: firstly, it has embarked on reform and privatization of public enterprises through the Privatization Law of 1991; and secondly, it has unleashed numerous controls which affected everything from the commercialization of certain products to price controls. On top of this, the Government has made a commitment to sound management of the economy in order to establish a stable economic environment that is inviting to foreign investment. This has included the establishment of a free exchange rate regime in 1989, as well as laws like the Investment Promotion Law and the Non-Traditional Exports Law which provide security to foreign investment and tax incentives.

The creation of this new economic framework will help Paraguay move towards full compliance with the free market accord of MERCOSUR, which will also involve Argentina, Brasil, and Uruguay, and which is scheduled to go into effect in 1995. PRO-PARAGUAY was created in 1991 under the Ministry of Foreign Affairs and the Ministry of Industry as the

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[1/] **This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.**

Government's investment and export promotion office to foster the insertion of new Paraguayan products into foreign markets. Its role within the new economic framework will be critical since it will help to facilitate collaborative activities between the private and public sectors by serving as a representative abroad which diffuses information of business opportunities in Paraguay while also seeking out new markets for the country's goods.

Since 1991, PRO-PARAGUAY's most important activities have included training and staffing embassies and consulates with trade representatives, and facilitating/ supporting the negotiation of new investment ventures in non-traditional sectors with European, Asian, and North American firm. The Government of Paraguay has requested UNDP assistance under the present approval to quickly establish an institutional arrangement which will be efficient and effective and which will integrate fully the cooperation of private and public entities.

Description of project

The immediate objectives of the project are to: (a) provide support towards the organization and operation of PRO-PARAGUAY as an efficient instrument in investment and export promotion; and (b) assist in the integration between the public and private sector organization involved in investment and export promotion.

Project activities will involve the production of: (a) an operations manual and terms of reference for the executive posts of PRO-PARAGUAY both inside and outside the country to enable the creation of at least fifteen (15) export committees and seven PRO-PARAGUAY offices in Paraguayan embassies and trade councils; (b) a database of individuals and institutions with experience in export promotion activities; (c) a publications system for disseminating to potential investors and importers in the exterior information on PRO-PARAGUAY and specific investment and export promotion activities; (d) an internal computerized information system to permit fluid information flows between PRO-PARAGUAY offices at home and abroad; and (e) a documentation center to service Paraguayan exporters.

Inputs

UNDP will provide 11 man-months of international consultants in export promotion, commercial information, and investment promotion; 450 man-months of national experts in the areas of investment, administration, public relations, coordination of technical assistance, training, information, and legal matters; subcontracts in international promotion/publicity and trade fairs; training in the areas of export and investment promotion services; expendable and nonexpendable office equipment.

Financial data

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Personnel	1 530 000
Subcontract	732 500
Training	195 400
Equipment	169 500
Miscellaneous	311 000
Total	2 938 400

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